

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE CLOSURE OF NAVAL
RESERVE READINESS CENTER SAN FRANCISCO,
CALIFORNIA, AND REALIGNMENT TO NAVAL AND
MARINE CORPS RESERVE CENTER ALAMEDA,
CALIFORNIA

Report No. 95-191

May 15, 1995

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Department of Defense

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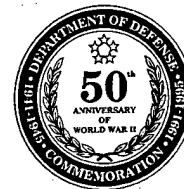
Acronyms

BRAC
MILCON

Base Realignment and Closure
Military Construction



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884



Report No. 95-191

May 15, 1995

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT)**

SUBJECT: Audit of Defense Base Realignment and Closure Budget Data for the
Closure of Naval Reserve Readiness Center San Francisco, California, and
Realignment to Naval and Marine Corps Reserve Center Alameda,
California (Project No. 5CG-5017.16)

Introduction

We are providing this report for your information and use. The audit was required by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. The law prescribes that we evaluate significant increases in the cost of military construction (MILCON) project costs over estimated costs provided to the Commission on Defense Base Closure and Realignment (the Commission). This report is one in a series of reports about FY 1996 Defense base realignment and closure (BRAC) MILCON costs. The report discusses project P-149T, "Reserve Center Addition," valued at \$7.3 million, related to the closure of Naval Reserve Readiness Center San Francisco, California, and the realignment to Naval and Marine Corps Reserve Center Alameda, California.

Audit Results

Our review of FY 1996 BRAC MILCON project P-149T showed that the construction requirements were valid, that the basic facility requirements were documented, and that existing facilities were considered when planning the scope of the project. We concluded that the budget data relating to the project was reasonable and accurate.

Audit Objectives

The overall audit objective was to determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed MILCON project was based on valid Defense BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the analysis considered existing facilities. We also reviewed the management control program as it applied to the objectives.

Scope and Methodology

Scope of This Audit. We examined the FY 1996 BRAC MILCON budget request and related documentation regarding the realignment of the Naval

Reserve Readiness Center San Francisco, California, to Naval and Marine Corps Reserve Center Alameda, California. Specifically, we reviewed supporting documentation for project P-149T, valued at \$7.3 million. See Enclosure 2 for additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs.

Audit Periods, Standards, and Locations. This economy and efficiency audit was made during January and February 1995 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary. The audit did not rely on computer-processed data or statistical sampling procedures. Enclosure 3 lists the organizations visited or contacted during the audit.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires every DoD organization to have in place management controls over operations and to perform regular self-evaluations of those controls. We evaluated Navy management controls for planning, programming, and documenting the MILCON requirements applicable to the proposed project associated with providing facilities at the Naval and Marine Corps Reserve Center Alameda, California, in support of the realignment. We also reviewed management's self-evaluation of the applicable management controls. The results of the review of the management control program will be included in a summary report on the Defense base realignment and closure military construction budget data.

Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. Enclosure 1 lists selected DoD and Navy BRAC reports.

Discussion

BRAC MILCON Review. Naval Reserve Readiness Command Region Twenty develops BRAC MILCON project requirements for all Reserve centers under its jurisdiction. The project requirements are subject to review and approval by the Reserve centers' major claimant, Naval Reserve Force Command. Upon approval, Naval Reserve Force Command forwards the project to Naval Facilities Engineering Command for project scope and cost validation. Our review of BRAC MILCON project P-149T showed that the Navy submitted the project based on valid BRAC requirements with adequate support documentation. The documentation showed that the Navy considered existing facilities when planning the scope of the project. Overall, the Navy submitted project P-149T for budget based on realistic data.

BRAC Project Requirement. The 1993 Commission recommended realignment of Naval Reserve Readiness Center San Francisco to Naval and Marine Corps Reserve Center Alameda as a result of its decision to close Naval Station Treasure Island. Naval Reserve Readiness Command Region Twenty initiated project P-149T and submitted DD Form 1391, "FY 1996 Military Construction Project Data," for the project with a total requirement of 48,406 square feet and an estimated cost of \$8 million. The project, to be built at Alameda, will provide additional facilities to accommodate combined personnel and functions resulting from the realignment. The project will provide construction of an additional training facility, conversion and relocation of some spaces within the existing Reserve center, and construction of a new vehicle maintenance building.

Requirements Support and Documentation. An architecture and engineering contractor submitted a report, "Parametric Estimating and Programming Study," December 1994, as a result of its project study and parametric cost estimate for project P-149T. The project report documented the project requirements and cost. The project report included a new DD Form 1391 that reflected a reduced scope of 40,086 square feet, including 5,138 square feet of existing facility renovations, and a revised cost estimate of \$7.3 million. The reduced scope was the result of a Naval Reserve Force Command project review in August 1994 that determined that a security group would no longer transfer to Naval and Marine Corps Reserve Center Alameda. We reviewed the revised DD Form 1391 documentation including the supporting cost estimate and project study report, the basic facility requirements document, facility planning documents, the design committee meeting minutes, the floor plans, and the Alameda and San Francisco Reserve Centers' personnel data. The project cost estimates included cost factors prescribed in the area and that the Navy considered existing adequate facilities when planning the project scope and justified the project requirements based on allowances in the Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," October 1982. The Navy planners adequately documented and properly identified the scope of the Alameda Reserve Center project.

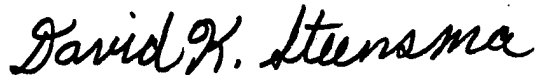
Project Budget Data and Cost. Engineering Field Activity, West, Naval Facilities Engineering Command, verified proposed requirements for the project, including project scope and costs and completeness of documentation. Engineering Field Activity, West, Naval Facilities Engineering Command, validated preliminary documentation and, in June 1994, certified the initial DD Form 1391, submitted by Naval Reserve Readiness Center San Francisco, to be ready for design at a cost of \$7.9 million. On March 7, 1995, Engineering Field Activity, West, Naval Facilities Engineering Command, resubmitted to Headquarters, Naval Facilities Engineering Command, a DD Form 1391 for a new budget request totaling \$7.3 million. The DD Form 1391 was resubmitted to adjust the amount of the budget request for the project and to present the reduced project scope mandated by Naval Reserve Force Command. Engineering Field Activity, West, Naval Facilities Engineering Command, validated the new project cost based on the project study and parametric cost estimate performed by an architect and engineering contractor.

Conclusion

Based on our review, we believe that the Navy properly planned, programmed, and documented construction requirements and that costs for project P-149T are in accordance with Navy criteria and public law.

Management Comments

We provided a draft of this report to management on March 31, 1995. Because this report contains no findings or recommendations, written comments were not required and none were received. Courtesies extended to the audit staff are appreciated. If you have questions about this audit, please contact Mr. Terry L. McKinney, Audit Program Director, at (703) 604-9288 (DSN 664-9288) or Ms. Bobbie Sau Wan, Audit Project Manager, at (703) 604-9259 (DSN 664-9259). The planned distribution of this report is listed in Enclosure 4. The audit team members are listed inside the back cover.



David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosures

Summary of Prior Audits and Other Reviews

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
95-154	Audit of Construction Budget Data for Realigning Naval Training Centers Orlando and San Diego to Various Sites	March 21, 1995
95-150	Defense Base Realignment and Closure Budget Data for Closing Naval Station Charleston, South Carolina, and Realigning Projects at Various Sites	March 15, 1995
95-051	Defense Base Realignment and Closure Budget Data for Closing Mare Island Naval Shipyard, California, and Realigning Projects to Various Sites	December 9, 1994
95-041	Defense Base Realignment and Closure Budget Data for the Closure of Marine Corps Air Stations El Toro and Tustin, California, and the Realignment to Naval Air Station Miramar, California	November 25, 1994
95-039	Defense Base Realignment and Closure Budget Data for Naval Air Station Miramar, California, Realigning to Naval Air Station Fallon, Nevada	November 25, 1994
95-037	Realignment of the Fleet and Mine Warfare Training Center from Naval Station Charleston, South Carolina, to Naval Station Ingleside, Texas	November 23, 1994
95-029	Defense Base Realignment and Closure Budget Data for Naval Air Station Miramar, California, and Realigning Projects to Various Sites	November 15, 1994

Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
95-010	Defense Base Realignment and Closure Budget Data for Marine Corps Air Station Tustin, California, and Realignment to Marine Corps Air Station Camp Pendleton, California	October 17, 1994
94-179	Defense Base Realignment and Closure Budget Data for McGuire Air Force Base, New Jersey; Barksdale Air Force Base, Louisiana; and Fairchild Air Force Base, Washington	August 31, 1994
94-146	Defense Base Realignment and Closure Budget Data for Closing Naval Air Station Cecil Field, Florida, and Realigning Projects to Various Sites	June 21, 1994
94-141	Defense Base Realignment and Closure Budget Data for Naval Air Stations Dallas, Texas, and Memphis, Tennessee, Realigning to Carswell Air Reserve Base, Texas	June 17, 1994
94-127	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Office Compound in North Philadelphia, Pennsylvania	June 10, 1994
94-126	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Glenview, Illinois, and Realignment Projects at Fort McCoy, Wisconsin, and Carswell Air Reserve Base, Texas	June 10, 1994
94-125	Defense Base Realignment and Closure Budget Data for the Naval Medical Center Portsmouth, Virginia	June 8, 1994

Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
94-121	Defense Base Realignment and Closure Budget Data for Naval Air Technical Training Center, Naval Air Station Pensacola, Florida	June 7, 1994
94-109	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Training Center Great Lakes, Illinois	May 19, 1994
94-108	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Station Treasure Island, California	May 19, 1994
94-107	Griffiss Air Force Base, New York, Defense Base Realignment and Closure Budget Data for Military Construction at Other Sites	May 19, 1994
94-105	Defense Base Realignment and Closure Budget Data for a Tactical Support Center at Naval Air Station Whidbey Island, Washington	May 18, 1994
94-104	Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West	May 18, 1994
94-103	Air Force Reserve 301st Fighter Wing Covered Aircraft Washrack Project, Carswell Air Reserve Base, Texas	May 18, 1994
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Summary of Prior Audits and Other Reviews

Naval Audit Service

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
041-S-94	FY 1995 Military Construction Projects From Decisions of 1993 Base Closure and Realignment Commission	April 15, 1994
023-S-94	Military Construction Projects Budgeted and Programmed for Bases Identified for Closure or Realignment	January 14, 1994
028-C-93	Implementation of the 1993 Base Closure and Realignment Process	March 15, 1993

Background of Defense Base Realignment and Closures and Scope of the Audit of FY 1996 Defense base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the DoD Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress. The following table summarizes the current estimated costs and net savings for the previous three BRAC actions and the actions recommended in the 1995 Commission decisions:

BRAC Costs and Savings
(Billions of FY 1996 Dollars)

	<u>BRAC Actions</u>		<u>Closure Costs</u>	<u>6-Year Net Savings</u>	<u>Recurring Annual Savings</u>	<u>Total Savings</u>
	<u>Realignments</u>	<u>Closures</u>				
1988	86	59	\$ 2.2	\$0.3	\$0.7	\$ 6.8
1991	34	48	4.0	2.4	1.6	15.8
1993	130	45	6.9	0.4	1.9	15.7
Subtotal	250	152	13.1	3.1	4.2	38.3
1995	113	33	3.8	4.0	1.8	18.4
Total	363	185	\$16.9	\$7.1	\$6.0	\$56.7

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission.

Military Department BRAC Cost-estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model (the Computer Model). The Computer Model uses standard cost factors to convert the suggested BRAC options into

Background of Defense Base Realignment and Closures and Scope of the Audit of FY 1996 Defense base Realignment and Closure Military Construction Costs

dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1996 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Computer Model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Computer Model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1996 BRAC MILCON \$1.4 billion budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group.

Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology, Washington, DC
Under Secretary of Defense (Comptroller), Washington, DC
Assistant Secretary of Defense (Economic Security), Washington, DC
Deputy Assistant Secretary of Defense (Economic Reinvestment and Base
Realignment and Closure), Washington, DC*
Assistant Secretary of Defense (Force Management Policy), Washington, DC

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller),
Washington, DC

Department of the Army

Auditor General, Washington, DC

Department of the Navy

Assistant Secretary of the Navy (Financial Management), Washington, DC
Naval Facilities Engineering Command, Alexandria, VA
Engineering Field Activity, West, San Bruno, CA
Naval Reserve Force Command, New Orleans, LA
Naval Reserve Readiness Command Region Twenty, San Francisco, CA
Naval Reserve Readiness Center San Francisco, CA
Naval and Marine Corps Reserve Center Alameda, CA

Defense Organization

Defense Logistics Agency, Alexandria, VA

*Now, Deputy Assistant Secretary of Defense (Installations).

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General Accounting Office

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Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
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House Subcommittee on National Security, Committee on Appropriations
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House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Honorable Barbara Boxer, U.S. Senate
Honorable Dianne Feinstein, U.S. Senate
Honorable Ronald V. Dellums, U.S. House of Representatives

Audit Team Members

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Paul J. Granetto
Terry L. McKinney
Bobbie Sau Wan
Arsenio M. Sebastian
Marc E. Avers

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